

## Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 046948

O R 020530Z APR 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 3257

INFO SECDEF WASHDC

THE WHITE HOUSE

S E C R E T SECTION 1 OF 2 SAIGON 4211

EXDIS

E.O. 11652: GDS

TAGS: MARR, VS

SUBJECT: ICCS FINANCES

1. WE HAVE, QUITE SIMPLY, RUN OUT OF TIME TO DELAY FURTHER ON DETERMINING AND EXECUTING A USG DECISION ON THE FINANCING OF THE ICCS. IT IS QUITE CLEAR THAT IT IS VERY MUCH IN THE OVERALL POLICY INTERESTS OF THE U.S. TO KEEP THE ICCS ALIVE. TO DO SO WILL REQUIRE IMMEDIATE AND POSITIVE ACTION WHICH WILL BUY A FEW MONTHS TIME TO SORT OUT A LONGER RANGE POLICY.

2. THE IMMEDIATE SITUATION IS AS FOLLOWS: THE ICCS HAS A \$140,000 BALANCE AS OF 1 APRIL. THE GVN CONTRIBUTION WILL FINISH BANK CLEARANCE THIS WEEK ADDING \$2,479,141.15 TO BRING THE BALANCE TO \$2,619,141.15. THE ICCS OWES APPROXIMATELY 6 MILLION IN ARREARS FOR THE EXPENSES OF THE FOUR NATIONAL CONTINGENTS - INDONESIA, IRAN, POLAND, AND HUNGARY. AIR AMERICA HAS NOTIFIED ICCS THAT UNLESS ONE MILLION DOLLARS IN ARREARS AMOUNTING TO \$1,228,000 IS PAID BY 4 APRIL, AIR SERVICES WILL BE TERMINATED. PACIFIC ARCHITECTS AND ENGINEERS ALSO HAS BALANCE DUE OF \$775,000. FEDERAL ELECTRIC HAS AN OUTSTANDING BALANCE OF \$121,000. UNDER THREAT OF CANCELLATION OF SERVICES THE ACTING IRANIAN DIRECTOR GENERAL INTENDS TO PAY THE OUTSTANDING BILLS OF THE THREE AMERICAN CONTRACTORS AS FIRST ACTION WHEN THE GVN CONTRIBUTION BECOMES AVAILABLE TOWARD THE END OF THE WEEK. THIS WILL LEAVE A

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WORKING BALANCE OF ONLY \$495,141.15 AVAILABLE TO ICCS

AT THE END OF THE WEEK.

3. IT IS UNFORTUNATE THAT AIR AMERICA PRESENTED ITS LETTER ON THE SAME DAY THE GVN MADE ITS CONTRIBUTION. THE INFERENCE IS INEVITABLE THAT USG PRESSURE ON THE GVN TO DEplete STILL FURTHER ITS ALREADY DANGEROUSLY DEPLETED HARD CURRENCY FOREIGN EXCHANGE RESERVES WAS CYNICALLY APPLIED SOLELY TO TAKE CARE OF THREE AMERICAN CONTRACTORS. THIS IS AN IMPOSSIBLE POLITICAL AND PUBLIC POSTURE IN WHICH WE CANNOT ALLOW THE USG TO BE CAUGHT. IT IS ALL THE MORE IMPOSSIBLE SINCE THE NEW ICCS FISCAL YEAR BEGAN ON 1 APRIL. IT HAD BEEN EXPECTED THAT THE U.S. WOULD MAKE AN ADVANCE CONTRIBUTION THIS WEEK ON THE NEW BUDGET YEAR TO TIDE THE ICCS OVER THE NEXT FEW WEEKS. YET WE ARE NOT ONLY UNABLE TO MAKE SUCH A CONTRIBUTION, BUT WE CANNOT SAY WHEN, OR EVEN IF, WE CAN DO SO. AND, IF THE GVN PAYMENT, MADE AT REALLY GREAT RISK TO THEIR BALANCE-OF-PAYMENTS POSITION, IS IMMEDIATELY PAID OUT FOR THE ARREARAGES OF AMERICAN CONTRACTORS IN WHAT MUST SEEM TO BE A CYNICALLY PRE-ARRANGED COLLUSION, THERE IS NO POSSIBLE HOPE THAT THEY COULD BE PERSUADED TO MAKE ADVANCE ON NEW YEAR UNTIL AFTER WE DID.

4. WHEN THIS BECOMES APPARENT, AND IT CANNOT POSSIBLY BE HIDDEN FOR LONGER THAN THE NEXT FORTNIGHT, WE CAN EXPECT IMMEDIATE CESSATION OF AMERICAN CONTRACTOR ACTIVITIES, TRIGGERING PRECIPITATE ABANDONMENT OF THE DEPLOYMENT TO THE REGIONAL AND SUB-REGIONAL SITES BY POLISH AND HUNGARIAN CONTINGENTS, TO BE RAPIDLY FOLLOWED BY INDONESIANS AND IRANIANS WHO CANNOT BE EXPECTED TO TAKE A SERIOUS ATTITUDE TOWARD THE ICCS IF THE USG DOES NOT.

5. AT THIS POINT HANOI WOULD HAVE WON A MAJOR PSYCHOLOGICAL VICTORY. MOREOVER, IT WILL HAVE DONE SO AT THE PRECISE MOMENT WHEN THE ACTUAL MILITARY SITUATION ON THE GROUND MIGHT SOON BRING HANOI TO THE REALIZATION THAT IT HAD MORE TO GAIN THAN TO LOSE BY PERMITTING DEPLOYMENT OF THE ICCS TEAMS TO ALL SITES PRESCRIBED IN THE PARIS AGREEMENTS, AND BY PAYING ITS SHARE, OR AT LEAST A SHARE, OF THE ICCS COSTS.

6. IT IS NOW QUITE OBVIOUS THAT EVEN IF THE ADMINISTRATION  
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COULD MAKE UP ITS MIND TO GO FOR A SUPPLEMENTAL, NEITHER THE TIMING OF ITS PASSAGE OR THE AMOUNTS LIKELY TO BE MADE AVAILABLE WOULD SUFFICE TO AVERT THE PRESENT CRISIS. IN ANY EVENT, IT HAS LONG BEEN CLEAR THAT CONGRESSIONAL LIMITATIONS BY DIRECT APPROPRIATION PROCESS WOULD ALMOST CERTAINLY DENY THE AMOUNTS NECESSARY TO KEEP THE ICCS AFLOAT AND THE NECESSARY FLEXIBILITY FOR THE USG TO PRESERVE THE ICCS AS LONG AS IT IS USEFUL FOR U.S. POLICY, NO MATTER WHAT ACTIONS WERE TAKEN OR NOT TAKEN

BY HANOI.

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 046953

O R 020530Z APR 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 3258

INFO SECDEF WASHDC

THE WHITE HOUSE

S E C R E T SECTION 2 OF 2 SAIGON 4211

EXDIS

7. KEEPING THE ICCS FINANCIALLY VIABLE IS NOT MY RESPONSIBILITY AND WE CERTAINLY HAVE NO RESOURCES AVAILABLE TO US HERE. BUT I DO FEEL A RESPONSIBILITY NOT TO LET WHAT I HAVE UNDERSTOD TO BE, AND AGREE SHOULD BE, A PRIMARY OBJECT OF OUR CURRENT POLICY HERE, GO DOWN THE DRAIN WITHOUT, AT LEAST, TRYING TO PREVENT IT.

8. IF THE ICCS COULD NOW BE RELIEVED FROM PAYMENT OF ARREARS AND FUTURE CHARGES FOR THE THREE AMERICAN CONTRACTORS, CONTINUE TO POSTPONE THE REIMBURSEMENT TO THE MEMBERS FOR NATIONAL DELEGATION COSTS, THE BALANCE OF \$2,619,141.15 AVAILABLE AT END OF THE WEEK SHOULD CARRY IT SAFELY THROUGH JUNE 30, 1974. THIS PERIOD MAY BE SUFFICIENT FOR THE EXECUTIVE BRANCH TO DECIDE WHICH WAY IT WISHES TO GO, AND THEN MOVE TO A MORE PERMANENT SOLUTION.

9. VARIOUS U.S. AGENCIES HAVE EXISTING CONTRACTS WITH EACH OF THE THREE AMERICAN CONTRACTORS - AID WITH AIR AMERICA, DAO WITH PA&E, AND DAO WITH FEC. I HAVE DETERMINED THAT IT IS A RATHER SIMPLE MATTER FOR THE CONTRACTING OFFICERS TO AMEND THE EXISTING CONTRACTS AS OF JANUARY 1 TO INCLUDE THE SERVICES PROVIDED TO THE ICCS. INDEED I UNDERSTAND IT WAS ORIGINALLY PROPOSED BY THE USG BEFORE THE FORMATION OF THE ICCS THAT WE SUBSUME THE SERVICES TO BE PROVIDED BY THESE CONTRACTORS TO THE ICCS WITHIN EXISTING USG CONTRACTS BUT, ON OBJECTION OF HANOI, THE PROPOSAL WAS SHELVED. HANOI

IS NOT NOW IN A POSITION TO OBJECT, SINCE THE DECISION CAN BE

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MADE BY THE ICCS.

10. I HAVE DETERMINED THAT THE ADDITIONAL COSTS TO EACH OF THE EXISTING USG CONTRACTS TO PROVIDE SERVICES TO THE ICCS THROUGH JUNE 30 WILL BE AS FOLLOWS:

AIR AMERICA	\$3,000,000
PA&E	\$2,791,314
FEC	\$ 468,000
TOTAL	\$6,259,314

11. WE ARE FACED WITH AN EMERGENCY SITUATION ON WHICH ACTION QUITE OBVIOUSLY CANNOT BE FURTHER DELAYED WITHOUT SERIOUS AND POSSIBLY GRAVE DAMAGE TO U.S. POLICY INTERESTS IN SOUTHEAST ASIA. ACCORDINGLY, ACTING AS THE PERSONAL REPRESENTATIVE OF THE PRESIDENT, I PROPOSE, UNLESS SPECIFICALLY INSTRUCTED TO THE CONTRARY IN THE MEANTIME, TO TAKE THE FOLLOWING ACTIONS ON THURSDAY MORNING ON THE ASSUMPTION THAT NO ANSWER CONSTITUTES EXECUTIVE BRANCH APPROVAL TO PROCEED.

A. ADVISE THE ACTING DIRECTOR GENERAL OF THE ICCS NOT TO MAKE ANY FURTHER PAYMENTS TO THE THREE AMERICAN CONTRACTORS UNTIL WE CAN DETERMINE WHETHER WE CAN ABSORB THESE COSTS DIRECTLY BY THE USG.

B. ADVISE AIR AMERICA TO WITHDRAW ITS NOTICE OF TERMINATION OF SERVICES TO THE ICCS AND PROCEED WITH THE PROVISIONS OF CURRENT SERVICES UNTIL FURTHER NOTICE. I SHALL ALSO SEEK TO DETERMINE WHETHER THE "COINCIDENTAL" NOTICE OF TERMINATION THE DAY FOLLOWING EMBASSY'S NOTIFICATION TO WASHINGTON OF GVN PAYMENT WAS IN FACT "COINCIDENTAL" OR WHETHER THEIR WASHINGTON OFFICES WERE ADVISED OF EMBASSY'S CABLE AND ORDERED TERMINATION NOTICE TO ASSURE FIRST CRACK AT GVN CONTRIBUTION. AT THIS STAGE, I WOULD THINK THE LAST THING WASHINGTON NEEDED WOULD BE THE SURFACING OF SUCH A RUMOR.

C. SIMILARLY ADVISE PA&E AND FEC THAT WE WERE EXPLORING THE SUBSUMING OF THE ICCS COSTS WITHIN THE PRESENT CONTRACTS AND THAT I DESIRE THEM TO CONTINUE TO PROVIDE CURRENT SERVICES UNTIL NOTIFIED OTHERWISE.

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D. INSTRUCT THE LOCAL USG CONTRACTING OFFICES TO WORK OUT WITH THE AMERICAN CONTRACTORS THE MODALITIES FOR AMENDING THE PRESENT CONTRACTS TO PROVIDE FOR USG PAYMENT OF SERVICES TO THE ICCS THROUGH JUNE 30, WHICH WILL TOTAL \$6,259,314. DOD AND AID WILL, I ASSUME, NOTIFY US OF THE APPROPRIATE FUND CITE.

12. I HAVE COME TO THE CONCLUSION THAT THERE IS NOW NO OTHER VIABLE COURSE OPEN TO US WITH THE GREATEST RELUCTANCE, AND WITH A CERTAIN DEGREE OF BITTERNESS. FOR, SINCE THESE PRESENT USG CONTRACTS ARE FINANCED FROM ECONOMIC AND MILITARY AID APPROPRIATIONS, THE ACTIONS I HAVE OUTLINED ABOVE MUST NECESSARILY RESULT IN A DIMINUTION OF OUR AID TO THE GVN. SIMPLY STATED, IT IS THE GVN WHICH WILL PAY THE BILL. THIS, I SUGGEST, IS A HELL OF A WAY TO TREAT AN ALLY WHO NOW, WITH GREAT COURAGE, DETERMINATION, AND CONSIDERABLE SUCCESS, IS PROCEEDING TO FISISH THE JOB WE SET OUT JOINTLY TO DO.

13. IF THERE IS A BETTER SOLUTION, NO ONE WILL WELCOME IT MORE THAN I WILL. BUT, AFTER WASTING A YEAR AND A QUARTER TO FIND IT, WE HAVE COMPLETELY RUN OUT OF TIME. IF THERE IS NOT A BETTER SOLUTION, AND I AM INSTRUCTED NOT TO PROCEED AS I HAVE OUTLINED ABOVE, I TRUST THOSE WHO RECOMMEND SUCH AN INSTRUCTION WILL BE PREPARED PERSONALLY TO ASSUME THE RESPONSIBILITY FOR THE GRAVE DAMAGE TO U.S. POLICY OBJECTIVES THAT WILL SURELY FOLLOW.  
MARTIN

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